

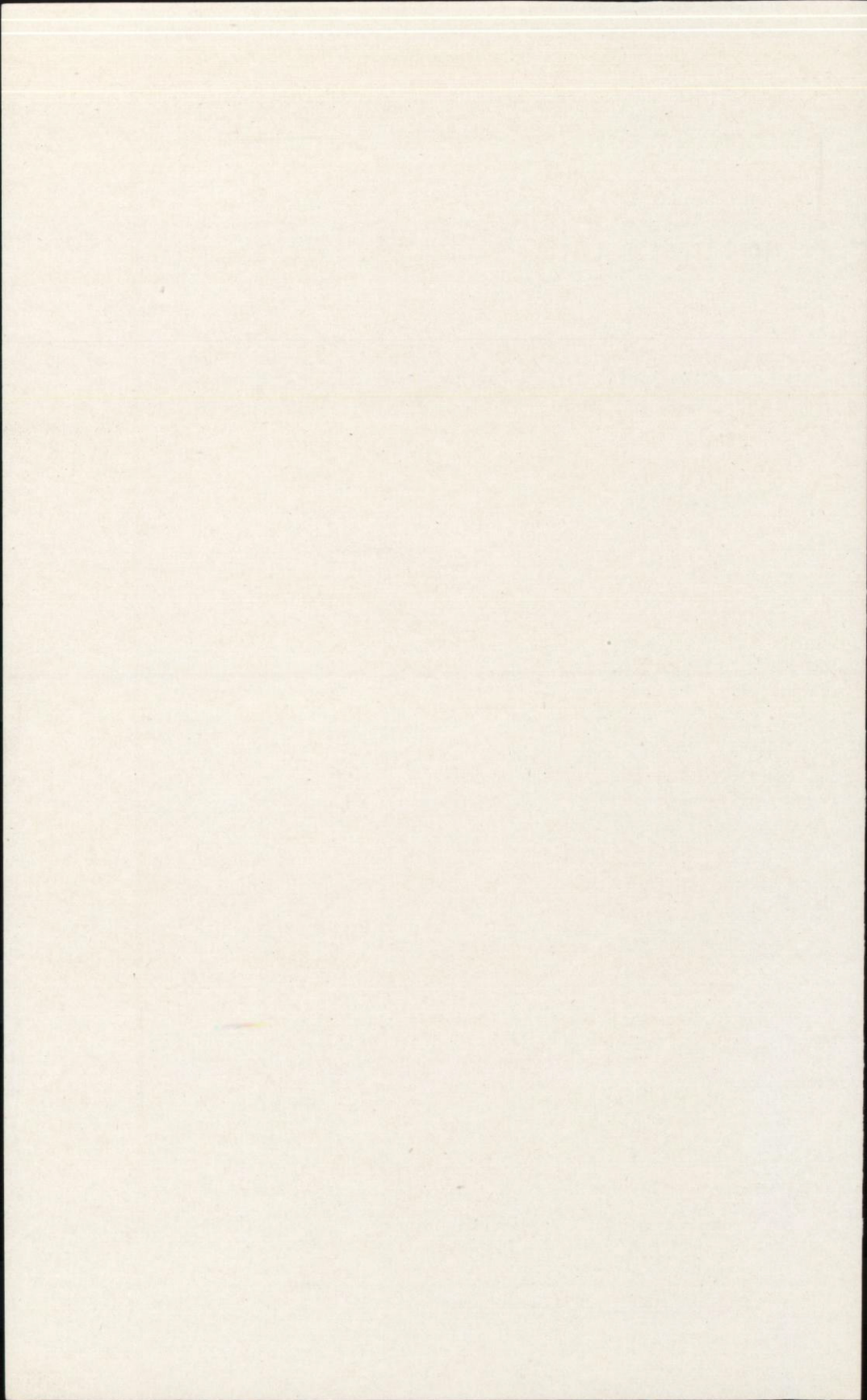
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NORTHERN OHIO TELEPHONE COMPANY

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ANNUAL
REPORT

YEAR
ENDED
DECEMBER 31, 1951



INVESTMENT
DIVISION

MAR 12 1952

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NORTHERN OHIO TELEPHONE COMPANY

General Offices

117 North Sandusky Street

Bellevue, Ohio

Directors

ALLAN G. AIGLER
Bellevue, Ohio

HERMANN H. THORNTON
East Lansing, Michigan

ROBERT T. CAMPBELL
Galion, Ohio

FRED W. UHLMAN
Bowling Green, Ohio

HERBERT A. ERF
Cleveland, Ohio

DUDLEY A. WHITE
Norwalk, Ohio

WILLIAM C. HENRY
Norwalk, Ohio

JOHN E. WISE
Norwalk, Ohio

Officers

Chairman of the Board—ALLAN G. AIGLER

President and General Manager—WILLIAM C. HENRY

Vice President—JOHN E. WISE

Secretary and Treasurer—WILLIAM H. TODD



Montrose Exchange Building

Northern Ohio Telephone Company is one of 256 Independent Telephone Companies, designated as Class A, by reason of having annual gross operating revenues of \$250,000 or more. It is a member of the Independent Telephone Industry, which is composed of some 5,700 independently owned telephone companies, providing service through over 11,000 separate exchanges, to more than 8,000,000 telephone subscribers.

Annual Report for the Year 1951

To The Shareholders:

Our operations during the past year were carried forward subject to the influences of a continuing spiral of inflation, which resulted in increased costs and a progressive tightening in the supply of required critical materials, as America accelerated its preparations for national defense. We must look forward to an increase in the tempo of military activities and the pressure of inflation as long as this period of international conflict and tension continues.

This Company's total operating revenues increased by 11.6 per cent in 1951, and exceeded four million dollars. The net gain in telephones connected numbered 4,886 and the volume of long distance calls increased 8.3 per cent to a new high. Total operating expenses were also greater by 11.6 per cent, and 11 per cent more was paid in wages to our employees. Taxes paid or accrued for the past twelve months were up 26 per cent and totaled more than one million dollars, resulting in a decrease in our net income of almost eighty thousand dollars. We experienced a satisfactory increase in business and income for the year, a disproportionate jump in the tax burden and a decline in net income as the end result—that is a brief summary of the operation of a public utility with fixed rates in a period of rising costs. The remedial steps required to correct this situation are set forth at the end of this report.

Gain In Stations

For the year 1951 there was a net increase of 4,886 in the number of telephones served. This amounts to a gain in stations of 6.92 per cent and was exceeded only slightly by the record number of telephones gained in the preceding year. On November 30th, 1951 at Galion, Ohio our 75,000th telephone was connected and at year end total stations numbered 75,451. On January 1, 1946 the total number of telephones served by this Company was 36,280. In a period of

six years this number has increased by 39,173 telephones, or 107.9 per cent. Additional companies acquired added 16,066 stations, and 23,107 telephones were the result of the growth in local subscribers service.

On January 1, 1951 this Company had on file at its various exchanges, applications for the installation of 112 city and 1,815 rural telephones, or a total of 1,927 orders for telephones which we were unable to satisfy. A special effort was made throughout the year to provide service to these people in the order of the date of their application. All orders for telephones held at the beginning of the year, within city limits or base rate areas, were installed and service was extended to 979 of the older rural requests. However, new applications for the installation of telephones continued to be received at our commercial offices almost as fast as our construction and installation forces could liquidate them, and on December 31st, 1951 we had 81 city and 1,785 rural "held orders" more than thirty days old, for which telephone service could not be immediately provided.

There are also a substantial number of present party line subscribers in many of our exchange areas who desire an improved class of service, which we have been unable to provide in many cases, due either to insufficient central office equipment or to congested distribution cables and lines.

Increase In Toll Calls

The use of long distance or toll service continued the steady uptrend which has been experienced each year for more than fifteen years. During the past twelve months our switchboard operators completed 5,124,572 toll calls. This was an increase of 8.3 per cent in the number of long distance calls handled to completion in 1950. Slightly more than one-half of these calls were completed entirely over the long distance lines of this Company or of other independent connecting telephone companies. The excellent quality of long distance service generally, its economy through successive reductions in charges over the past twelve years, and now the increased speed with which calls are completed through operator toll dialing, have all combined to popularize long distance service for social as well as business use.



Seventy-five Thousandth
Telephone Installed November
30, 1951 at Galion, Ohio

December 31,	1946	1947	1948	1949	1950	1951
Telephone Stations	39,941	42,971	47,681	65,626	70,567	75,453
Completed Toll Calls	2,654,213	2,800,578	3,274,606	4,314,407	4,732,486	5,124,572

Service Improvements

Further progress was made in improving the character of our local exchange service by the placing in operation of new automatic exchanges at Oberlin and Wakeman, and the replacing of our oldest dial exchange at Delaware, with the most modern automatic central office equipment. At the year end 53 of our local exchanges and 81 per cent of our telephones were dial operated, 8 exchanges provided common battery service to 17 per cent of our stations, and 3 magneto exchanges served 2 per cent of our telephones.

Substantial additions to central office exchange equipment were made at almost half of our offices, which permitted the offering of independent line service, or the reduc-



Bowling Green Toll Switchboard

tion of five party city lines and ten party rural lines to four and eight parties, where outside plant facilities are adequate.

Seven of the nine fundamental long distance toll centers operated by this Company are now equipped for operator toll dialing and are integrated with the nation-wide toll-dialing network of the Bell System. As additional exchanges throughout the United States are added to the network, an increasing number of our toll calls will be completed by our switchboard operators dialing the called telephone at the distant point.

During the year 665 miles of toll circuits were added to the independent toll line facilities owned by this Company which increased our own toll line mileage to 6110 miles of circuit.

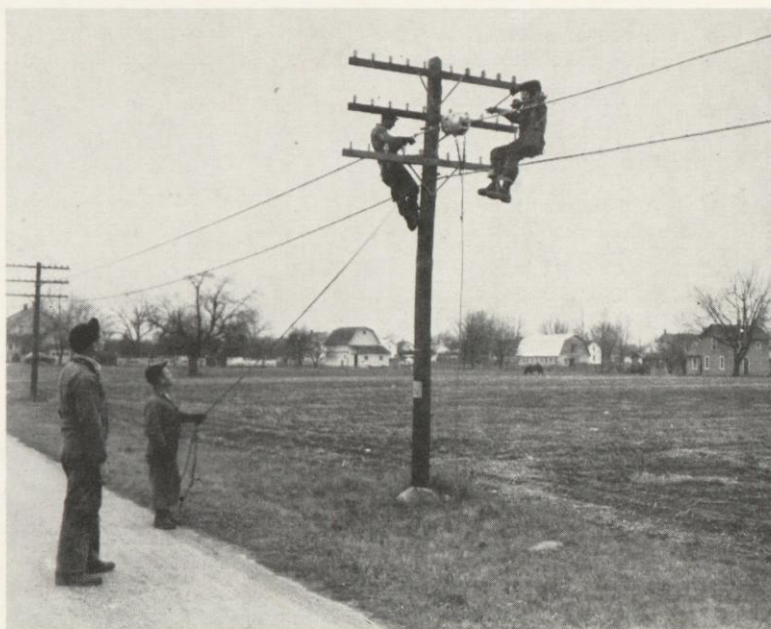
Operating Revenues

Total telephone operating revenues for the year were \$4,176,035.39, an increase of \$435,123.91, or 11.63 per cent. Revenues from local exchange service were greater by \$204,433.91, and toll service revenue increased \$221,264.17.

Directory advertising and sales were \$16,102.28 more, and private line services accounted for additional revenue of \$3,887.06. The amount used or set aside for uncollectible accounts was increased by \$10,803.90.

Operating Expenses

Total telephone operating expenses for 1951 were \$1.-857,616.23, or \$215,379.79 and 11.6 per cent more than for the previous year. Maintenance of plant and equipment required \$101,699.17 more, due principally to increased wages, with a minor increase by reason of additional personnel. Traffic expense was up \$83,163.92, of which two-thirds was occasioned by increased operators' hourly rates of pay and the remaining third was due to the employment of additional long distance switchboard operators. Commercial expenses increased \$36,384.21, due to additional compensation paid to commercial office employees and to minor force additions. General office expenses were less by



Spinning Cable in Wood County



General Office Bookkeeping Section

\$7,481.67, with the saving by reason of a change in the method of preparing subscribers' toll bills and monthly statements more than offsetting higher hourly pay rates.

Depreciation and Taxes

For the past twelve months the amount set aside for depreciation, or the replacement of major components of plant and equipment, was \$496,535.88. This was \$44,558.28 more than for the preceding year, due to a larger amount of depreciable property. The rate of depreciation used was 3.91 per cent, and the balance in the depreciation reserve on December 31, 1951 of \$2,419,153.78 was equal to 16.5 per cent of the telephone plant of the Company subject to depreciation.

There was paid or accrued, for the several forms of county, state and federal taxes assessed against this Company, the sum of \$1,077,559.20 for the twelve months of 1951. This is an increase of \$222,510.46, or 26.02 per cent in the amount required for taxes, and is \$14.75 for each telephone connected. The provision for increased federal corporation income taxes

was \$180,615.27 of the total increase in taxes. For the past year this Company set aside two dollars and eighty-six cents in taxes for each one dollar paid to its stockholders in dividends.

Net Income

Other income was \$7,370.50, an increase of \$7,223.27. Fixed charges, which include interest on the bonded indebtedness of the Company, other interest deductions and the annual amortization of the debt discount, was \$134,709.97, which was \$39,293.59 greater than for the preceding year due to the issuance of an additional series of bonds in the principal amount of \$1,600,000.

Net income available for dividends to stockholders and surplus for 1951 was \$616,984.61, or \$79,394.94 and 11.4 per cent less than for the year 1950. Dividends on preferred stock was earned more than two and nine-tenths times. This Com-



Port Clinton Automatic Equipment

pany and its predecessor, The Local Telephone Company, have paid regular and uninterrupted dividends on its preferred stock for more than fifty years. A dividend of 80 cents per share was paid on the shares of common stock without par value for 1951, compared to a dividend of \$1.20 per share paid on one-fifth less number of shares of common stock outstanding at the end of 1950.

There was transferred to surplus for the year 1951, the amount of \$239,762.90.

Year	1946	1947	1948	1949	1950	1951
Operating Revenues	\$1,848,983	\$1,998,816	\$2,347,853	\$3,328,172	\$3,740,911	\$4,176,035
Operating Expenses	726,850	939,412	1,234,538	1,588,459	1,642,236	1,857,616
Depreciation	257,744	257,507	274,939	405,312	451,978	496,536
Taxes	432,820	379,028	383,724	625,647	855,049	1,077,559
Fixed Charges	61,590	57,940	74,242	92,122	95,416	134,710
Net Income	376,980	368,436	382,078	616,659	696,380	616,985

Additions to Telephone Plant

The amount invested in telephone plant and equipment, for additions, improvements, and extensions during the twelve months of 1951, exceeded the amount added to property in any preceding year by over a quarter of a million dollars. Gross additions were \$2,390,001.45, with removals or retirements of \$669,091.49 and net additions of \$1,720,909.96. Over the past year \$72,031.33 was spent for buildings, \$753,164.57 for central office equipment, \$569,631.31 for subscribers' stations and their installation, \$280,652.68 for pole lines, \$583,414.15 for wire and cable, \$38,441.28 for underground construction, and \$36,529.95 for motor vehicles and tools. A new 800 line automatic exchange, with a six position toll switchboard, was placed in service at Oberlin, and a 130 line unattended dial exchange replaced a manual magneto switchboard at Wakeman. The necessary automatic central office equipment for operator toll dialing was installed at Oberlin, Bowling Green and Port Clinton, and these three toll centers were added to the nation-wide toll dialing network. Major additions or improvements were made to dis-

strict office telephone buildings at Port Clinton, Medina, Genoa and Delaware. Varying quantities of automatic central office subscribers' line equipment was added at almost half of our automatic exchanges.

A striking example of the increase in the cost of all items used in constructing a telephone plant is shown by the fact that the total amount invested in plant at the end of 1951 represented an average of \$207.02 for each telephone, whereas the cost of new construction for the past year amounted to \$352.21 for each telephone added.

Employees and Wages

The average number of regular employees during 1951 was 663, of which 507 were women and 156 were men. Total wages paid the past year were \$1,481,252.31, which is \$147,488.28 and 11.06 per cent more than for the year 1950. The amount invested in fixed telephone plant for each employee of the Company was \$23,560.63.

We are fortunate in having a conscientious and loyal group of employees and the Management recognizes fully that the progress which we have made this year has been due in large part to their efforts. To these fine men and women we express our appreciation.

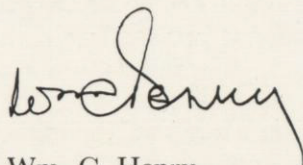
The More Important Problems Ahead

Copper is one of the most critical materials required by a telephone company. At year end more than 95 per cent of the 1,866 people in our territory, who want telephone service and cannot get it, are in rural areas. If copper allocations continue at present levels, this list will double by the end of 1952. A substantial number of our present subscribers who move to new additions will find no facilities available. In addition some two thousand of our present party line users want, and many of them urgently need, better grades of service. This list will be further increased by the end of another year. The tremendous increase in telephones in the last six years has loaded our facilities to the limit. This situation can be relieved only by enlarging the system and distribution plant, and this enlargement depends primarily on an adequate supply of copper.

Several very substantial increases in operating expenses will be experienced in 1952. In connection with the granting of new and increased hourly rates of pay for our employees effective December 31, 1951, this Company is committed to the establishment of a pension plan, with a minimum payment of \$100 per month for all employees upon attaining age 65 and who have had not less than 20 years of service with this Company. Taxes have increased and will continue to increase greatly, and all other expenses and operating costs will continue to edge up materially. Moreover, an additional amount of new capital will be required during 1952 on which interest must be paid. The only source from which to meet these increased expenses is the monthly service rates paid by our telephone subscribers. Preparations are being made for the filing with the state regulatory body of an application for a moderate increase in exchange rates.

An additional amount of new capital will be required in order to carry forward our construction program for the year 1952. Accordingly, the Company proposes to offer as of April 1, 1952 to its present stockholders residing in the State of Ohio, and to its telephone subscribers, an issue of one million dollars of 5 per cent preferred stock to be sold at its par value of \$100 per share. Over the years past our stockholders have evidenced their confidence in this Company by continuing to invest in its capital securities. We appreciate this support and every effort will be made to continue to merit your trust.

Sincerely,

A handwritten signature in dark ink, appearing to read "Wm. C. Henry". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

Wm. C. Henry,
President and General Manager

Bellevue, Ohio
February 21, 1952

Northern Ohio Telephone Company - Bellevue, Ohio

Comparative Income Statement-Years Ended December 31, 1951 and December 31, 1950

	Year 1951	Year 1950
LOCAL SERVICE REVENUES	\$2,451,360.34	\$2,246,916.43
TOLL SERVICE REVENUES	1,555,732.72	1,334,468.55
DIRECTORY ADVERTISING AND SALES	142,474.08	126,371.80
MISCELLANEOUS REVENUES	39,266.61	35,149.16
Revenues from rentals, private lines and miscellaneous services.		
LESS PROVISION FOR UNCOLLECTIBLE REVENUES	12,798.36	1,994.46
Total Operating Revenues	4,176,035.39	3,740,911.48
CURRENT MAINTENANCE	594,269.81	492,570.64
Cost of repairs, inspections and rearrangements required to keep plant and equipment in good operating condition.		
DEPRECIATION EXPENSE	496,535.88	451,977.60
Provision for decrease in value of telephone plant by reason of wear, or obsolescence. This is at the rate of 3.99% of average investment in depreciable plant in service during 1950 and 1951.		
TRAFFIC EXPENSES	821,738.74	738,574.82
Operators wages and other costs in handling of messages.		
COMMERCIAL EXPENSES	219,421.27	183,037.06
Cost incurred in business relations with customers, advertising, paystation commission and cost of directories.		
GENERAL OFFICE EXPENSES	155,827.81	163,309.48
Cost of preparing subscribers bills, general accounting, salaries of officers and legal expenses.		
OTHER OPERATING EXPENSES	66,358.60	64,744.44
Insurance, building and pole rentals, pensions and all other operating expenses.		
Total Operating Expenses	2,354,152.11	2,094,214.04
Net Operating Revenues	1,821,883.28	1,646,697.44
OPERATING TAXES:		
Federal Income Taxes	767,503.96	586,888.00
County, State Excise, Social Security and Other Taxes	310,055.24	268,160.74
Total Operating Taxes	1,077,559.20	855,048.74
Net Operating Income	744,324.08	791,648.70
OTHER INCOME—INTEREST AND MISCELLANEOUS INCOME	7,370.50	147.23
Net Income	\$ 751,694.58	\$ 791,795.93

752
134
886

134
34
95

207
545

95
667

NORTHERN OHIO TELEPHONE

COMPARATIVE BALANCE SHEET

A S S E T S

	Dec. 31, 1951	Dec. 31, 1950
Plant and Other Investments:		
TELEPHONE PLANT IN SERVICE	\$15,620,633.34	\$13,844,409.95
Comprises land, buildings, rights of way, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, motor equipment and tools.	2419 13202	
Telephone Plant Under Construction	315,200.24	307,867.44
Other Investments	21,728.70	21,728.70
Stock owned in other telephone companies.		
Total Plant and Other Investments	15,957,562.28	14,174,006.09
Current Assets:		
CASH	376,059.67	232,543.05
SPECIAL DEPOSITS	8,429.90	7,902.50
Payroll account and Industrial Commission deposit.		
SINKING FUNDS	30,333.34	11,746.66
Amortization of Mortgage Bonds over 30 years.		
WORKING FUNDS	4,840.00	4,855.00
NOTES RECEIVABLE	8,014.38	13,186.31
ACCOUNTS RECEIVABLE	288,519.17	289,989.60
Accounts due for service, toll settlements and miscellaneous items (less revenue for uncollectible accounts).		
MATERIAL AND SUPPLIES	855,773.14	602,920.12
Principally for construction and maintenance purposes.		
Total Current Assets	1,571,969.60	1,163,143.24
Deferred Charges:		
PREPAYMENTS	28,112.46	11,282.58
Rents, Insurance, Auto Licenses and other expenses applicable to period after close of year.		
DISCOUNT ON FUNDED DEBT	24,305.46	15,053.35
Net balance of the discount, premium and expense on bonds in process of amortization.		
Total Deferred Charges	52,417.92	26,335.93
Total Assets	\$17,581,949.80	\$15,363,485.26

COMPANY-BELLEVUE, OHIO

September 30, 1951 and December 31, 1950

LIABILITIES

	Dec. 31, 1951	Dec. 31, 1950
Capital Stock:		
4¼% Preferred Stock, \$100 par value	\$ 1,200,000.00	\$ 1,200,000.00
4½% Preferred Stock, \$100 par value	2,000,000.00	2,000,000.00
5% Preferred Stock, \$100 par value	1,318,000.00	1,305,000.00
Common Stock, without par value (298,600 shares less 85,600 shares held in Treasury)	2,130,000.00	2,130,000.00
Premium on Capital Stock	23,685.00	16,040.00
Installments paid on Capital Stock	1,511.00	2,618.50
Total Capital Stock and Premium	6,673,196.00	6,653,658.50
Funded Debt:		
First Mortgage Bonds, 3¼% Series, due August 1, 1965	2,752,000.00	2,752,000.00
2⅞% Series due November 1, 1980	1,600,000.00	-----
Current and Accrued Liabilities:		
Notes Payable	253,678.16	400,000.00
Accounts Payable	610,317.60	425,600.70
Amounts owing for material, supplies, toll settlements, sub- scribers excise taxes and miscellaneous expenses.		
Advance Billing and Payments	82,997.17	78,925.69
Subscribers advance payments and billings.		
Taxes Accrued	1,004,052.28	778,700.71
Unmatured Interest and Dividends	139,229.96	133,400.83
Other Current Liabilities	-----	1,292.58
Total Current and Accrued Liabilities	2,090,275.17	1,817,920.51
Depreciation Reserve	2,419,153.78	2,325,960.01
Surplus:		
Surplus Reserved	856,000.00	856,000.00
Unappropriated Earned Surplus	1,191,324.85	957,946.24
Total Surplus	2,047,324.85	1,813,946.24
Total Liabilities	\$17,581,949.80	\$15,363,485.26

51
90
66
207
50

Exchanges of Northern Ohio Telephone Company

<i>Exchange</i>	<i>Telephones Dec. 31, 1951</i>	<i>Exchange</i>	<i>Telephones Dec. 31, 1951</i>
Ashland	7224	Marblehead	469
Ashley	427	McComb	645
Attica	605	Medina	3478
Bellevue	3595	Mifflin	211
Berlin Heights	376	Milan	520
Bowling Green	3769	Monroeville	641
Brunswick	694	Montrose	1546
Burbank	194	New London	1072
Carey	1324	New Washington	511
Cheshire Center	299	North Baltimore	863
Chippewa Lake	268	Norwalk	4622
Clyde	2083	Oak Harbor	1335
Congress	188	Oberlin	2868
Creston	463	Ostrander	284
Crestline	1830	Pemberville	445
Curtice	1148	Plymouth	583
Delaware	4944	Polk	280
Elmore	715	Port Clinton	3234
Galion	4201	Put-In-Bay	214
Genoa	809	Radnor	174
Grand Rapids	497	Red Haw	240
Grafton	443	Savannah	245
Greenwich	660	Seville	526
Haskins	170	Sharon Center	627
Homerville	129	Tontogany	150
Huron	1385	Valley City	321
Kelleys Island	87	Wadsworth	3857
Kilbourne	200	Wakeman	339
Lakeville	130	Wayne	566
Leroy	218	Weston	598
Lodi	930	West Salem	382
Loudonville	1325	Willard	2277
		Total Stations	75,453

Total Number of Exchanges 64

Automatic Service	53	—	Telephones	61,079
Common Battery Service	8	—	Telephones	13,021
Magneto Service	3	—	Telephones	1,353

